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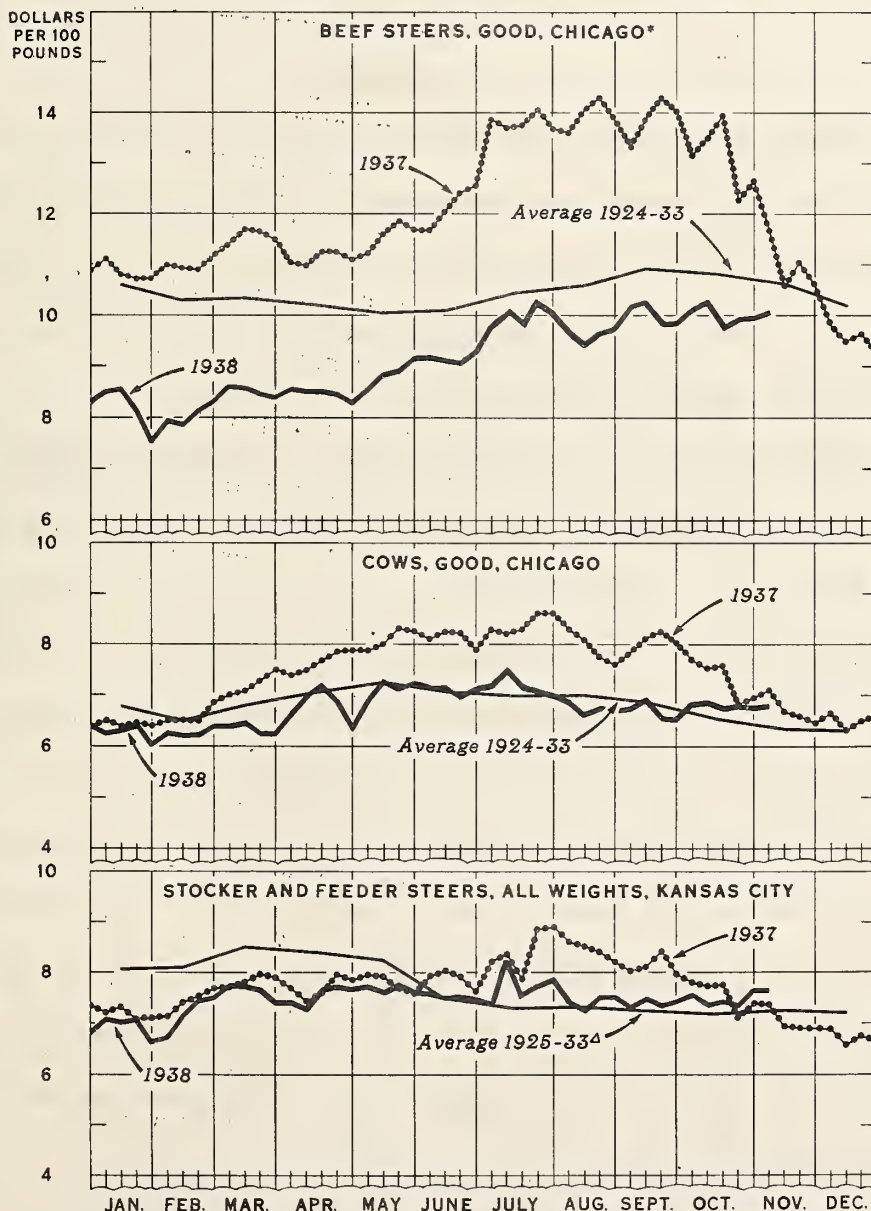
UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
WASHINGTON

BCS-23

NOVEMBER 19, 1938

THE BEEF CATTLE SITUATION

PRICES OF SLAUGHTER CATTLE AT CHICAGO AND OF
STOCKER AND FEEDER STEERS AT KANSAS CITY,
AVERAGE 1924-33, AND 1937 TO DATE



*SOLD OUT OF FIRST HANDS FROM CORN BELT †COMPARABLE DATA FOR 1934 NOT AVAILABLE

T H E B E E F C A T T L E S I T U A T I O N

This issue includes the major factors in the annual Beef Cattle Outlook report issued November 3. Recent developments in the beef cattle situation also are discussed.

Summary

Prices of the better grades of slaughter cattle in October and early November were maintained near the seasonally high levels reached in the early fall, reports the Bureau of Agricultural Economics. Prices of the lower grades showed a tendency to strengthen. Inspected cattle slaughter in October was somewhat smaller than in September.

Slaughter of both cattle and calves in 1939 is expected to be smaller than in 1938, according to the Bureau's annual report on the Beef Cattle Outlook released in early November. The reduction will be mostly in calves and breeding stock. Steer slaughter probably will show little change.

In view of the large supplies and relatively low prices of feed, some increase in cattle feeding this fall and winter is anticipated. But the relatively strong demand for cattle for restocking and herd expansion and the smaller number of feeder animals available will tend to prevent any large increase in the number of cattle fed. Average weights of cattle slaughtered in 1939 are expected to be heavier and the general finish higher than in the present year, but total beef supplies for consumption probably will be somewhat smaller.

With industrial activity and consumer buying power increasing, the demand for meats in 1939 is expected to be stronger than it averaged in

1938. This improvement in consumer demand and the reduction in cattle slaughter will be price-strengthening factors. On the other hand, larger supplies of hogs will be a price-depressing factor. With somewhat larger market supplies of grain-fed cattle in 1939 than in 1938, and smaller marketings of cows and heifers, the spread between prices of the upper and lower grades of slaughter cattle probably will be relatively narrow. Prices of slaughter cows, particularly, are likely to be maintained next year at a fairly high level relative to prices of other kinds of slaughter cattle.

Cattle numbers at the beginning of 1939 probably will be slightly larger than a year earlier. This increase is expected to be the first phase of a new cattle production cycle.

RECENT DEVELOPMENTS

Although October cattle slaughter usually is the largest for all months, the number of cattle slaughtered under Federal inspection in October this year, totaling 884,000 head, was 4 percent smaller than in September and 8 percent smaller than in October 1937. But for the first 10 months of 1938 inspected cattle slaughter totaled only 2 percent less than a year earlier.

Prices of the better grades of slaughter cattle in October and early November were well maintained near the seasonally high levels reached in the early fall. And prices of the lower grades, which declined seasonally from mid-July to early October, showed a tendency to strengthen in late October and early November. Prices of all grades of slaughter steers in early November were still below those of the corresponding period in 1937. Prices of slaughter cows, however, averaged nearly as high as a year earlier. Prices of stocker and feeder cattle declined somewhat in mid-October but recovered the loss in early November, when prices of such cattle averaged somewhat higher than a year earlier.

OUTLOOK

(Largely from Annual Outlook Report)

Cattle slaughter to be reduced

Slaughter of cattle and calves during most of 1938 was near the relatively high levels of the 4 preceding years. Although combined slaughter under Federal inspection for the year will be about 1 million head less than in both 1937 and 1936, it will be about as large as in any single year prior to 1934, and will be much above the average for the years 1920 to 1933. Most of the decrease from 1937 has been in the slaughter of calves. Because of the larger

proportion of cattle in the combined slaughter and the heavier weights of cattle slaughtered this year than last, the percentage reduction in total weight has been somewhat less than that in number of head. For the first 9 months, the live weight of cattle and calves slaughtered under Federal inspection totaled 7,456,000,000 pounds, only 1.3 percent less than a year earlier.

All of the decrease in cattle slaughter this year from last has been in the slaughter of cows and heifers. The slaughter of steers has been larger. In the January-September period the number of steers slaughtered totaled 3,461,000 head, an increase of 10.6 percent from a year earlier; the number of cows and heifers slaughtered totaled 3,522,000 head, a decrease of 10.8 percent from 1937.

If the number of cattle on farms increases more during 1939 than in 1938, as now expected, it will be because slaughter of cattle and calves will be less than in 1938. The reduction in slaughter doubtless will be in calves and in cows and heifers, with little change in the number of steers slaughtered. Since feed supplies during much of 1939 will be even more plentiful and feed prices lower than in 1938, the finish and weights of cattle slaughtered in the coming year will continue relatively high.

Some increase in cattle feeding probable

Some increase in cattle feeding during the 1938-39 cattle feeding season may be expected. Supplies of feeds, both grains and hay, are large in relation to livestock numbers, and prices of feeds are low in relation to cattle prices and considerably lower than a year ago. Such information as is now available, however, indicates that the increase in feeding may not be very great.

Shipments of stocker and feeder cattle from stockyard markets into the Corn Belt States during the 4 months, July to October, were but little different from those in the corresponding period last year. Available information on direct shipments (those not going through stockyards markets) indicate that these also were little different from a year earlier. Also, there apparently was a smaller number of cattle grazed in the Corn Belt in 1938 to be fed out during the fall and winter than was the case a year earlier.

Reports from the Western States as to developments in the cattle feeding situation to the end of October indicate that there may be a considerable reduction in the total number of cattle fed in that area this season. Decreases are indicated in nearly all States. Large prospective supplies of beet pulp in many of these States, with other feed stuffs generally abundant and low in price, may encourage a rather heavy movement of cattle to feedlots in some of these States during November and December. It is not probable, however, that this late movement can be large enough to bring feeding operations in these States this season up to the relatively high level of a year earlier.

It would seem that if cattle feeding in the 1938-39 season is to be on a materially larger scale than in 1937-38, the movement of feeder cattle into the Corn Belt during November and December of this year would have to be much larger than for the corresponding period last year. Total shipments of cattle during November and December from the Western cattle States, which furnish the greater part of the market supply of stocker and feeder cattle, are not expected to be any larger this year than last, if as large. Hence, if there is to be a material increase over last year in the shipments of stocker and feeder cattle from public markets during these months, a much larger proportion of the total receipts will have to be purchased for feeder purposes.

Changes in the number of stocker and feeder cattle shipped into the Corn Belt from year to year do not always reflect changes in the number of cattle fed. There are usually considerable numbers of locally-raised cattle that go into the feedlot supply. When feed grains are abundant and cheap and feeder cattle prices relatively high, the number of such cattle and calves fed is likely to be considerably increased. Such probably will be the situation this year.

Because prices of fat cattle in 1938 were much lower than in 1937, returns from cattle feeding were less favorable this year than last despite the fact that the cost of producing fat cattle (cost of feeders plus value of feed) was less. Few cattle marketed before May realized enough to cover production costs, but margins on cattle marketed during the summer months were generally sufficient to make operations profitable.

While prices of feeder cattle from July through October averaged somewhat lower than a year earlier the reduction was much less than that in prices of the better grades of fed cattle. The spread between prices of feeder cattle and fat cattle this year, therefore, has been much less than it was a year earlier when it was about the widest of record. The spread in recent months has been very narrow, and in relation to the level of cattle prices has been about the narrowest of record. This narrow spread indicates a rather strong demand for feeder cattle, reflecting the abundant supplies and relatively low prices of all kinds of feed, and possibly an expectation that fat cattle prices will make little recession from present levels during the next year.

Cattle imports reduced in 1938

Imports of cattle from all countries during the first 9 months this year totaled 302,638 head, a decrease of 32 percent from those of a year earlier. The decrease in total live weight was relatively greater than the reduction in numbers, since imports this year included a much larger proportion of light cattle than in the previous year. Imports from Canada from January through September totaled about 94,000 head, 65 percent less than a year earlier; but imports from Mexico numbered about 207,000 head, 16 percent more than a year earlier. Most of the increase in imports from Mexico was in non-quota cattle weighing between 175 and 700 pounds, the duty for which is 2.5 cents per pound.

Almost all of the reduction in total cattle imports during the first 9 months was in cattle weighing 700 pounds and over. Under the Canadian Trade Agreement, effective January 1, 1936, the duty on this class of cattle was lowered from 3 cents to 2 cents per pound for an annual import quota of 156,000 head from all countries. Imports in excess of this quota are subject to a duty of 3 cents per pound. In 1937, the quota was filled by early August, and for the year as a whole it was exceeded by about 26,000 head. But from January through September this year imports of cattle weighing 700 pounds and over totaled only 69,000 head, less than half the annual quota.

Cattle: Imports from Canada, Mexico, and all countries, by weight groups, 1936 and 1937, and January-September, 1937 and 1938

Year and period	175 lb. to 699 lb.			700 lb. and over,			All cattle		
	All			not for dairy purposes			All		
	Canada	Mexico	coun-tries	Canada	Mexico	All coun-tries	Canada	Mexico	coun-tries
	Number	Number	Number	Number	Number	Number	Number	Number	Number
1936	35,149	140,439	176,435	136,533	21,992	158,675	244,409	164,730	410,299
1937	50,355	172,717	223,837	157,468	24,792	182,333	306,689	199,460	507,324
Jan.-									
Sept.:									
1937	34,778	151,793	187,284	145,059	24,501	169,628	267,491	178,245	446,854
1938	4,727	175,437	180,670	39,542	29,850	69,430	94,480	207,441	302,638

United States Department of Commerce.

The marked reduction in cattle imports from Canada this year apparently has been due in part to the relatively greater decline in this country than in Canada in prices of finished cattle, and in part to the fact that supplies of such cattle in Canada following the severe drought in the western cattle area of that country in 1937 have been small. Canadian exports of cattle to Great Britain this year have been larger than in the previous year, but the increase has not been sufficient to offset the reduction in exports to the United States.

The increase in imports of light cattle from Mexico apparently has been the result of the strong demand for stocker cattle in this country, devaluation of the Mexican peso, and the somewhat unstable economic conditions in Mexico. A Federal tax of 12 percent ad valorem was imposed in August on cattle exported from Mexico, and this may tend to discourage further exports of Mexican cattle this year and next. Present indications are that imports of cattle from Mexico in 1939 will be smaller than in 1938, but that imports from Canada may be somewhat larger. The total number of cattle imported in 1939, however, may not be greatly different from that in 1938.

Meat imports also smaller

Imports of canned beef into the United States in the first 9 months of 1938, mostly from Argentina, Uruguay, and Brazil, totaled about 58 million pounds, 17 percent less than in the corresponding period of 1937. Imports of

fresh, cured, and pickled beef and veal also were smaller. Combined imports of cattle and calves and of beef, in terms of dressed weight, were equivalent to about 5 percent of the total dressed weight of cattle and calves slaughtered under Federal inspection. In the first 9 months of 1937 such imports were equivalent to nearly 7 percent of the dressed weight of inspected slaughter and were the second largest of record, being exceeded only in 1929.

Some recovery in cattle prices follows sharp 1937 decline

Prices of the better grades of slaughter cattle recovered slightly in February and March 1938, following the sharp decline in late 1937 and in January 1938. In May a further upward movement began that continued until October. The summer and early fall rise in prices of the better grades of slaughter cattle this year was partly seasonal, although improvement in consumer incomes and the demand for meats was a contributing factor. Slaughter supplies of well-finished cattle were seasonally large throughout the summer and early fall months and were much larger than a year earlier, when they were unusually small. Prices of the lower grades of slaughter cattle advanced seasonally from March to July 1938. From mid-July to mid-October, however, prices of such cattle declined as slaughter supplies of cows and heifers and of grass steers increased seasonally.

Largely because of the weaker consumer demand for meats, total payments by packers for cattle slaughtered under Federal inspection from January through September this year were about 9 percent less than in the corresponding period of 1937. The total live weight of inspected cattle slaughter was nearly equal to that of a year earlier, but prices were lower. But with the exception of 1937, payments by packers for cattle during the first 9 months of 1938 were the largest for the period since 1930, and were about 85 percent larger than during the first 9 months of 1933 when prices of slaughter cattle were the lowest since 1906.

Cattle and calves: Inspected slaughter, total live weight, average and total cost to packers, average 1924-33, annual 1933-37, and January-September 1937 and 1938

Year and period	Inspected slaughter 1/		Total live weight		Av. cost per 100 lb. to packers		Total cost to packers	
	Cattle	Calves	Cattle	Calves	Cattle	Calves	Cattle	Calves
	Thou- sands	Thou- sands	Million pounds	Million pounds	Dollars	Dollars	Million dollars	Million dollars
Average								
1924-33	8,850	4,819	8,433	848	7.47	8.79	631	74
1933	8,655	4,907	8,261	876	4.14	4.63	342	41
1934	9,943	6,078	9,229	1,126	4.55	4.66	420	52
1935	9,666	5,679	8,794	1,075	6.54	6.95	575	75
1936	10,972	6,070	10,104	1,174	6.26	6.90	633	81
1937	10,070	6,281	9,051	1,190	7.42	7.78	671	93
Jan.-Sept.:								
1937	7,396	4,837	6,660	892	7.78	7.99	518	71
1938	7,276	4,147	6,692	765	7.07	7.88	473	60

1/ Bureau of Animal Industry. Excludes Government slaughter in 1934, 1935, and 1936.

Considerable improvement in industrial activity occurred in the United States during the third quarter this year. Present indications are that this improvement will continue through the fall and early winter at least. And for 1939 it is expected that industrial activity, consumer income, and the demand for meats will be considerably greater than in 1938 as a whole. This improvement in demand and the reduction in cattle slaughter will be price strengthening factors next year. On the other hand the large supplies of hogs will be a price-depressing factor.

With somewhat larger market supplies of grain-fed cattle in 1939 than in 1938, and smaller marketings of cows and heifers, the spread between prices of the upper and lower grades of slaughter cattle probably will be relatively narrow. Prices of slaughter cows, particularly, are likely to be maintained at a fairly high level relative to prices of other kinds of slaughter cattle.

New cattle production cycle starting

Present indications point to a small increase in cattle numbers at the beginning of 1939 from the estimated 65,930,000 head on farms January 1, 1938. The increase is expected to be about 1 percent, in which case the number on January 1, 1939 would be about 66,500,000 head, about the same as the number on farms January 1, 1937.

The calf crop of 1938 probably is a little smaller than that of 1937, and imports of cattle and calves in 1938 will be below those of last year. On the other hand, total slaughter of cattle and calves in 1938 will be about 24,000,000 head, a reduction of about 1,000,000 head from 1937. And death losses of both cattle and calves are believed to have been somewhat smaller than a year earlier.

Most of the increase in cattle numbers during 1938 probably has occurred in the area west of the Mississippi River. This is the area where nearly all of the reduction in cattle numbers from the peak of 1934 has taken place. Any increase in cattle numbers this year will be largely the result of the decrease in calf slaughter. Records of marketings and slaughter by States show that nearly all of the reduction in calf marketings and in slaughter has been in the western area.

As indicated in the cattle outlook report of a year ago, the number of cattle on farms January 1, 1938, probably was the low point in the present cattle number cycle. Barring the recurrence of a series of drought years such as prevailed from 1934 to 1937, it seems fairly certain that cattle numbers will tend to expand for some years. The rate and extent of this expansion cannot be predicted at this time, but it appears unlikely that cattle numbers will reach as high a peak in the present cycle as was reached in 1934 at the peak of the last cycle. Cattle prices during the next few years are not likely to be so high as to encourage a rapid increase in numbers nor so low as to discourage or prevent marketings in reasonable relation to the numbers in the country.

The probable increase in cattle numbers during the next few years will be brought about largely by withholding cattle and calves from slaughter, and this will result in a decrease in cattle slaughter from the level of the past few years. But since hog slaughter is expected to expand rather sharply, total meat supplies doubtless will be considerably larger than the average of the past 4 years. This increase in total meats may result in a downward trend of cattle prices during the next few years even though cattle slaughter is reduced unless there is an offsetting improvement in consumer demand during this period.

Number of cattle on farms, by regions, January 1,
specified years

Year	Atlantic		Central		South Atlantic		Western States		Mississippi River		Total United States		Percentage of total	
	North	South	North	South	North	South	North	South	North	South	North	South	East	West
	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : sands	: : cent	: : cent
1920	5,190	10,898	4,943	4,549	20,213	11,897	12,710	25,580	44,820	70,400	36.3	63.7		
1925	4,472	9,721	4,241	3,777	19,464	10,503	11,195	22,211	41,162	63,373	35.0	65.0		
1928	4,383	9,161	3,772	3,649	17,055	9,249	10,053	20,965	36,357	57,322	36.6	63.4		
1930	4,647	9,650	3,855	3,782	18,784	10,091	10,185	21,943	39,060	61,003	36.0	64.0		
1932	4,759	10,393	4,207	4,275	20,372	11,025	10,739	23,634	42,136	65,770	35.9	64.1		
1934	4,879	11,101	4,732	4,831	22,938	13,510	12,271	25,543	48,719	74,262	34.4	65.6		
1935	4,750	10,819	4,799	4,971	19,749	12,167	11,274	25,339	43,190	68,529	37.0	63.0		
1936	4,789	11,120	4,670	4,705	20,213	11,351	11,081	25,284	42,645	67,929	37.2	62.8		
1937	4,888	11,063	4,568	4,519	18,621	11,898	10,891	25,038	41,410	66,448	37.7	62.3		
1938	4,961	11,117	4,498	4,566	18,568	11,535	10,685	25,142	40,788	65,930	38.1	61.9		

Price per 100 pounds of cattle and calves, October 1938,
with comparisons

Item	: Oct. : :Average: :1924-33:	: Oct. : 1936 :	: Oct. : 1937 :	: Aug. : 1938 :	: Sept. : 1938 :	: Oct. : 1938 :
	:Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Beef steers sold out of first hands at Chicago:	:					
Choice and prime	12.28	9.93	17.77	11.20	11.78	11.93
Good	10.83	9.10	13.39	9.69	10.03	10.01
Medium	8.92	8.14	10.01	8.39	8.19	8.10
Common	7.04	6.58	7.35	6.98	6.58	6.57
All grades	10.39	9.31	12.79	10.31	10.42	10.33
Cows, Chicago:	:					
Good	<u>1/</u> 6.54	5.76	7.40	6.80	6.68	6.82
Low cutter and cutter	<u>2/</u> 3.76	3.78	4.34	4.54	4.49	4.55
Vealers, Chicago:	:					
Good and choice	10.72	9.48	10.80	9.74	10.28	10.48
Stocker and feeder steers, Kansas City:	:					
500 - 800 pounds,	:					
Good and choice	<u>3/</u>	6.24	7.88	7.91	7.92	7.98
800-1050 pounds,	:					
Good and choice	<u>3/</u>	6.50	8.54	7.98	7.78	7.73
Average price paid by packers-	:					
Cattle	6.83	5.84	6.60	7.29	7.03	
Calves	8.24	6.31	7.20	7.95	7.90	
Average wholesale prices of packer hides, Chicago: <u>4/-</u>	:					
Heavy native steers	15.29	14.75	18.00	11.90	12.12	13.75
Light native cows	13.55	11.75	15.15	11.50	11.09	12.88

1/ Good and Choice, 1924-27.

2/ Canner and Cutter, 1924-June 1926.

3/ Not available.

4/ 1924-37 from annual reports of the Chicago Board of Trade; 1938 from the National Provisioner, simple average of weekly quotations.

Slaughter and market supplies of cattle and calves, specified periods

Item	Unit	Year		Month		
		Average:	1937	Oct.	Sept.	Oct.
		:1924-33:		: 1937	: 1938	: 1938
Slaughter under Federal inspection:						
Number slaughtered: <u>1/</u>	Thou-					
Cattle	sands	8,850	10,070	958	917	884
Calves	do.	4,819	6,281	525	453	470
Beef steers sold out of first hands						
at Chicago:						
Choice and prime	do.	159	133	5	26	22
Good	do.	471	343	20	35	41
Medium	do.	416	190	9	9	10
Common	do.	105	61	3	2	2
All grades <u>2/</u>	do.	1,151	727	38	72	74
Receipts of cattle at seven						
markets <u>3/</u>	do.	<u>4/</u> 8,044	7,691	861	732	799
		Year		Month		
		Average:	1937	Sept.	Aug.	Sept.
		:1924-33:		: 1937	: 1938	: 1938
Slaughter under Federal inspection:						
Number slaughtered:	Thou-					
Cows and heifers	sands	4,181	5,626	581	435	477
Steers .	do.	4,340	4,037	316	375	396
Average live weight:						
Cattle	Pound	953	899	883	912	916
Calves	do.	176	189	215	209	215
Average dressed weight:						
Cattle	do.	516	470	451	486	486
Calves	do.	101	108	120	115	118
Total dressed weight:						
Cattle	Mil.lb.	4,532	4,699	421	410	443
Calves	do.	487	675	65	53	53
Stocker and feeder shipments from:						
public stockyards: <u>5/</u>	Thou-					
Cattle	sands	3,073	2,893	379	286	400
Calves	do.	365	578	58	48	69
Imports:						
Cattle <u>6/</u>	do.	253	507	30	19	18
Canned beef <u>7/</u>	Mil.lb.	<u>8/</u> 36	88	10	5	6

- 1/ Bureau of Animal Industry. 2/ Totals of unrounded numbers.
3/ Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City and St. Paul.
4/ Average 1929-33. 5/ Approximately 62 public stockyards prior to 1936, when the number was increased to 69. 6/ United States Department of Commerce.
 General imports prior to 1934, beginning January 1, 1934, imports for consumption.
7/ United States Department of Commerce. Imports for consumption.
8/ Figures include "other canned meats", prior to 1929.

